

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

Program Description – (RRGL grants)

The Renewable Resource Grant and Loan (RRGL) program was created by the 1993 Legislature. This program combines the former Renewable Resource Development Program, established in 1975, and the Water Development Program, established in 1981. As outlined under Title 85, Chapter 1, part 6, MCA, the purpose of the RRGL is to fund projects that “enhance Montana's renewable resources through projects that measurably conserve, develop, manage, or preserve resources.” The Department of Natural Resources and Conservation (DNRC) administers the RRGL program. The RRGL program is appropriated in two bills, HB 6 (grants) and HB 8 (loans). The two program components of the RRGL are presented separately in this report.

Summary of Legislative Action

HB 6 (Grants)

The Sixty-third Legislature passed HB 6 appropriating \$29.5 million from the revenues of the natural resource projects state special revenue fund for the various natural resource projects in HB 6. The RRGL program appropriation of \$9.0 million will fund 90 RRGL project grants. The legislature also appropriated \$100,000 for RRGL authorized emergency grants and \$1,062,000 for project planning grants. Beyond the normal RRGL program expenses, the legislature appropriated funds for other natural resource projects, which include:

- \$250,000 - Ten Mile/Pleasant Valley Sewer District Emergency Grant. This wastewater system is out of compliance with design standards for total retention for a discharging lagoon. The entire project is estimated to cost \$5,501,515 and includes a \$4.9 million dollar state revolving fund loan. This grant will help in providing:
 - Sewer main cleaning
 - A new lift Station and forcemain
 - A total retention lagoon system
- \$300,000 - Irrigation Development Grants. These grants are available to government or private entities for projects that develop or expand new irrigation or increase the production of value-added crops.
- \$100,000 - Private Grants. These grants provide financial assistance to individuals, associations, partnerships, and corporations to fund water conservation and protection projects where quantifiable benefits exceed costs. By law, private grants for a single project may not exceed 25% of the total estimated cost. The grant must be matched on a 3-to-1 basis.
- \$200,000 - Capacity Building Grants. These grants support conservation districts and watershed groups in building capabilities, knowledge, and resources to fulfill their mission. The grants must be sponsored by conservation districts or public entities working with a conservation districts. These grants aim to develop core capabilities in leadership effectiveness and financial management.
- \$200,000 - State Water Plan. This grant will update the state water plan established in law, 85-1-203 MCA. The goals of the grant include:
 - Document current supply/demand for water in the Clark Fork, Yellowstone, and Missouri basins
 - Projection of increases in demand for water over the next 20 years
 - Identification of sources of water to meet increases in demand
 - Protection of existing beneficial uses
 - Outlining options for future water needs as recommendations to the 2015 Legislature

- \$1,273,686 - Big Pipestone/Jefferson River Sloth Watershed Restoration. This grant to Jefferson County supports five projects in the Big Pipestone/Jefferson Sough Watershed. Jefferson County conducted a watershed assessment of the Jefferson Slough and main stem of Big Pipestone Creek with the goal of defining specific and feasible projects that mitigate sedimentation and loss of habitat as a part of a strategy to eradicate Eurasian watermilfoil. Big Pipestone Creek has been identified as the second-worst stream in the state for sedimentation, and has been listed as impaired by the Department of Environmental Quality. The study identified at least 33 projects that will significantly reduce sedimentation and other channel degradation that contributes to the watermilfoil habitat, flooding in Whitehall, reduced access to irrigation water, loss of agricultural lands, impaired groundwater systems, and excessive sedimentation. The funding in HB 6 funds the top 5 prioritized projects which include:
 - Landowner #24 Ranch Channel Restoration, \$760,500
 - Riparian Management Plan Development, \$15,500
 - Beaver Management Planning, \$21,240
 - Landowner #7 Channel Restoration, \$299,596
 - Jefferson Slough Hydrology and Sedimentology Stations, \$176,850

Tribal Water Compacts

The legislature provided \$17 million of appropriations in HB 6 to fulfill the state's financial obligation for two tribal water compacts: the Ft. Belknap Tribal compact and the Blackfeet Tribal compact. The two compacts have not yet been ratified by Congress, and Congressional action on both compacts is dependent on state funding being in place. If state funds are not provided, the compacts may be nullified. On the contrary, the state may not expend funds on water infrastructure projects until the Congress has ratified the compact. Further details of the tribal compact appropriations are as follows:

- \$3,000,000 - People's Creek Minimum Flow Account Deposit. The legislature established the Ft. Belknap tribal water compact in Title 80, Chapter 10, MCA in 2001. Prior to the deposit directed in HB 6, the state authorized \$9.5 million in general obligation bonds in HB 540, approved by the Fifty-ninth Legislature in 2005, to pay a portion of the state's cost share for the Ft. Belknap water compact. While not explicitly stated in the legislation, it is assumed the bonds will not be issued or sold unless a water rights compact among the Ft. Belknap Tribe, the state, and the United States has been finally ratified by all parties. To date, the Congress has not ratified this compact. Once fully ratified, projects will improve water management and supply in the water basin. The appropriation in HB 6 fully funds the state's obligation to the Ft. Belknap compact.
- \$14,000,000 - Blackfeet Tribe Water Rights Compact Infrastructure Account. The legislature established the Blackfeet tribal water compact in Title 80, Chapter 15, MCA in 2007. Prior to the deposit directed in HB 6, the state authorized \$16.0 million in general obligation bonds in HB 49, approved by the Sixty-second Legislature in 2011, to pay a portion of the state's costs for water-related infrastructure projects within the exterior boundaries of the Blackfeet Indian reservation. The legislation states, "The bonds may not be issued or sold unless a water rights compact among the Blackfeet Tribe, the state, and the United States has been finally ratified by the Blackfeet Tribe, the legislature, and the Congress of the United States." To date, the Congress has not ratified this compact. Once fully ratified, infrastructure improvement projects necessary to meet the state's legal obligations can commence. The appropriation in HB 6 fully funds the state's obligation to the Blackfeet compact.

To finance the increased grant authorizations, additional natural resource projects, and deposits for the state's obligation to the tribal compacts, the legislature provided a \$20.5 million transfer of general funds to the natural resource projects fund.

The figures on the following pages contain a list of the 90 grants authorized by the legislature in HB 6.

Renewable Resource Grants (RRGL)					
Grants Authorized - HB 6 - 2015 Biennium					
Applicant / Project	Grants Authorized	Cumulative Total	Applicant / Project	Grants Authorized	Cumulative Total
			Balance:	\$2,300,000	
Deer Lodge Valley Conservation District	\$100,000	\$100,000	Hill County	98,321	2,398,321
Racetrack Water Users Assn.: Water Efficiency and Energy Conserv. Proj. - Phase 1			Beaver Creek Dam Outlet Works Rehad.		
South Wind Water and Sewer District	100,000	200,000	Winnett, Town of	100,000	2,498,321
South Wind Water and Sewer District Improvements			Winnett Wastewater		
Craig County Water and Sewer District	100,000	300,000	DNRC Water Resources Division	99,939	2,598,260
Craig Wastewater System Improvements			East Fork Rock Creek Main Canal Lining Project		
Forsyth, City of	100,000	400,000	Boulder, City of	100,000	2,698,260
Forsyth Wastewater System Improvements			Boulder Wastewater System Improvements		
Clinton Irrigation District	100,000	500,000	White Sulphur Springs, City of	100,000	2,798,260
Clark Fork Diversion Rehad. Project			White Sulphur Springs Wastewater Improvements Project - Phase 1		
Beaverhead County Conservation District	100,000	600,000	Helena Valley Irrigation District	100,000	2,898,260
Swamp Creek Siphon Project			Helena Valley ID Pump Automation Project		
Miles City, City of	100,000	700,000	Buffalo Rapids Irrigation Project District 1	100,000	2,998,260
Miles City Wastewater System Improvements, Phase 2			Buffalo Rapids 1 Lateral 20.6 Conversion Project		
Alberton, Town of	100,000	800,000	Whitefish, City of	100,000	3,098,260
Alberton Wastewater Project			City of Whitefish Nutrient Reduction Plan		
Richland County	100,000	900,000	Fort Peck Tribes	100,000	3,198,260
Richland County- Savage Wastewater System Improvements			Fort Peck Tribes Phase 2 Lateral L-2M Rehad. Project		
Dawson County	100,000	1,000,000	Flathead County	100,000	3,298,260
Dawson County-West Glendive Wastewater System Improvements			Bigfork Stormwater Project-Phase IV		
Fort Benton, City of	100,000	1,100,000	Three Forks, City of	100,000	3,398,260
Fort Benton Wastewater System Improvements			Three Forks Wastewater System Improvements		
Belt, Town of	100,000	1,200,000	Libby, City of	100,000	3,498,260
Belt Wastewater System Improvements			Libby Flower Creek Dam Water System Improvements		
Vaughn Cascade County Water and Sewer District	100,000	1,300,000	Frenchtown Irrigation District	99,978	3,598,238
Vaughn Wastewater System Improvements			Frenchtown Irrigation District: Main Canal Lining Project		
Malta Irrigation District	100,000	1,400,000	DNRC Water Resources Division	100,000	3,698,238
Dodson South Canal Head Gate Replacement Project			Replacement Headgates for the Deadman's Basin Supply Canal Project		
Park County	100,000	1,500,000	DNRC Water Resources Division	100,000	3,798,238
Park County Fairgrounds Wastewater System Improvements			Cooney Dam Outlet Canal Weir Replace. and Automated Instrumentation Project		
Bitter Root Irrigation District	100,000	1,600,000	Deer Lodge Valley Conservation District	100,000	3,898,238
BRID Siphon 1 - Phase 4 Improvements Project			Kohrs and Manning Ditch Company Infrastructure Improvements		
Cut Bank, City of	100,000	1,700,000	DNRC Flathead Basin Commission	100,000	3,998,238
Cut Bank Wastewater System Improvements			Aquatic Invasive Species Prevention Project, AIS Prevention Project		
Ward Irrigation District	100,000	1,800,000	Dutton, Town of	100,000	4,098,238
Lost Horse Creek/Ward Canal Improv., Ward Irrigat. Distr. Lost Horse Creek/Ward Canal Improvs			Dutton Water System Improvements		
Glendive, City of	100,000	1,900,000	Fairfield, Town of	100,000	4,198,238
Glendive Wastewater System Improvements			Fairfield Wastewater System Improvements		
Harlowton, City of	100,000	2,000,000	Buffalo Rapids Irrigation Project District 2	100,000	4,298,238
Harlowton Wastewater System Improvements			Buffalo Rapids 2 Terry Pump Station Discharge Line		
Lockwood Irrigation District	100,000	2,100,000	Choteau, City of	100,000	4,398,238
Lockwood ID Intake Canal Headgate Replacement Project			Choteau Wastewater System Improvements, Phase 2		
Sweet Grass County Conservation District	100,000	2,200,000	Daly Ditches Irrigation District	100,000	4,498,238
Pioneer Ditch Company Irrigation Diversion Rehad. Project			Daly Ditches Irrigation District Preservation and Conservation of Resources		
Glen Lake Irrigation District	100,000	2,300,000	Toston Irrigation District	100,000	4,598,238
Glen Lake Irrigation District Rolling Hills Section of the Main Canal Rehad. Project			Toston ID Toston Canal Rehad. Project		

Renewable Resource Grants (RRGL)					
Grants Authorized - HB 6 - 2015 Biennium (continued)					
Applicant / Project	Grants Authorized	Cumulative Total	Applicant / Project	Grants Authorized	Cumulative Total
	Balance: \$4,598,238			Balance: \$6,897,521	
Gallatin County Conservation District	100,000	4,698,238	Carbon County Conservation District	100,000	6,997,521
Darlinton Creek Enhancement Project at Cobblestone Fishing Access			Phase 2, Groundwater Surface Water Interaction		
Missoula County Conservation District	100,000	4,798,238	Sunny Hills Suburban County Water District	100,000	7,097,521
Missoula Conservation District Orchard Homes Ditch Company Intake			Sunny Hills WSD Water System Improvements		
Missoula Irrigation District	100,000	4,898,238	Drummond, Town of	100,000	7,197,521
Missoula Irrigation District Water Conservation Project			Drummond Wastewater System Improvements		
Valier, Town of	100,000	4,998,238	Big Horn County Conservation District	100,000	7,297,521
Valier Wastewater System Improvements			Eval. the Influence of Irrigation on Groundwater in Northern Big Horn County		
Fort Belknap Indian Community	100,000	5,098,238	Joliet, Town of	100,000	7,397,521
Ft Belknap Main Canal A Underdrain Rehad. Project			Joliet Wastewater System Improvements		
Bozeman, City of	100,000	5,198,238	Malta, City of	100,000	7,497,521
Bozeman Creek at Bogert Park Enhancement Project			Malta Water System Improvements		
Hamilton, City of	100,000	5,298,238	Gallatin County Montana	75,000	7,572,521
Hamilton Wastewater System Improvements, Phase 2			Grayling Creek Stream & Riparian Restor. & Parade Rest Guest Ranch Irrigat. Project		
Lodge Grass, Town of	100,000	5,398,238	Lower Musselshell County Conservation District	100,000	7,672,521
Lodge Grass Wastewater System Improvements			East Brewer Irrigation Check Structure Rehad. and Southside Canal Lining		
Pondera County Conservation District	100,000	5,498,238	Madison County	100,000	7,772,521
Pondera County Canal and Reservoir Companay KB2 Canal Rehad. Project			Moore's Creek Culvert Replacement		
Manhattan, Town of	100,000	5,598,238	DNRC Water Resources Division	95,580	7,868,101
Manhattan Water System Improvements			Infill Drilling and Piezometer Install: East Fork, Fred Burr, Martinsdale, Middle		
Greenfields Irrigation District	100,000	5,698,238	Creek, and Tongue River Dams		
Muddy Creek Wastewater and Erosion Reduction			Hamilton, City of	100,000	7,968,101
University of Montana	99,882	5,798,120	Hamilton Water System Improvements, Well 5		
Algae Bioremediation Syst. for Acidic Industrial Wastewaters			Plevna, Town of	100,000	8,068,101
Black Eagle-Cascade County Water & Sewer District	99,407	5,897,527	Plevna Water System Improvements		
Black Eagle Wastewater System Improvements			Stillwater Conservation District	100,000	8,168,101
Stevensville, City of	100,000	5,997,527	Assessing the Groundwater Resources of the Bedrock Aquifers in Stillwater		
Stevensville Wastewater System Improvements, Phase 2			Sweet Grass County	100,000	8,268,101
Havre, City of	100,000	6,097,527	Greycliff Reach Yellowstone River Stabilization Project, Greycliff Reach		
City of Havre Wastewater System Improvements			EmKayan County Water and Sewer District	100,000	8,368,101
Elk Meadows County Water District	100,000	6,197,527	EmKayan WSD Water System Improvements, Phase 2		
Elk Meadows Ranchettes County Water District Water System Improvements			Chinook, City of	100,000	8,468,101
Cascade, Town of	100,000	6,297,527	Chinook Water System Improvements		
Cascade Water System Improvements			Eureka, Town of	100,000	8,568,101
Moore, Town of	100,000	6,397,527	Eureka Water Treatment Improvement Project		
Moore Wastewater System Improvements			Broadwater County Conservation District	100,000	8,668,101
Sweet Grass County Conservation District	100,000	6,497,527	Big Springs Ditch Water Conservation and Spawning Bed Project		
Big Timber Creek Channel Stabilization Project - Phase II			Pinesdale, Town of	100,000	8,768,101
Roundup, City of	100,000	6,597,527	Pinesdale Water System Improvements		
Roundup Water System Improvements			Jefferson County	99,531	8,867,632
Garfield County Conservation District	99,994	6,697,521	Big Pipestone Creek Remediation		
Water Syst Improv: Main Replacement And System Wide Metering			Fort Shaw Irrigation District	100,000	8,967,632
Jefferson Valley Conservation District	100,000	6,797,521	Fort Shaw ID A-System Modification		
Jefferson Canal Headgate Improvements, Jefferson Canal Headgate			Total RRGL Grants Authorized	<u>\$8,967,632</u>	
Philipsburg, Town of	100,000	6,897,521			
Philipsburg Water System Improvements					

Funding - grants

The RRGL grants program and other natural resource projects appropriated in HB 6, as well as the RDGP grants program appropriated in HB 7, are funded from the “natural resource projects” state special revenue fund. For more information on the funding of the RRGL program, a fund balance analysis for the fund is provided on page F-35 of this report.

Program Description – (RRGL loans)

The RRGL loan program provides loans for renewable resource projects with the proceeds from the issuance of coal severance tax bonds. Loan repayments are used to pay the debt service on the loans. In some cases, interest rates charged to loans is less than the interest rate of the bond issue. In such cases, a distribution from the coal severance tax subsidizes the difference in the interest cost. Because the issues are coal severance tax bonds, the coal severance tax permanent trust is pledged for debt service payments on the bonds. The RRGL loan program is administered by the Department of Natural Resources and Conservation (DNRC).

Summary of Legislative Action

The figure below lists the loans awarded by the Sixty-third Legislature for the 2015 biennium with the passage of HB 8. The total bond authority in HB 8 is \$24.7 million, and the appropriations are that equivalent. Total loan costs are \$22.5 million and include two new loans for the local match on the costs of the Dry Prairie and the North Central Regional Water projects. For more information on regional water projects, see the Treasure State Endowment Regional Water Program section of this report. The loans are authorized to the regional water authorities. HB 8 also provides a loan to DNRC to provide the ability to refinance existing high cost loans assumed by local governments for water and sewer infrastructure projects and the reauthorization of two loans requested in prior biennia. Finally, HB 8 authorizes \$2.2 million to establish a “bond reserve”. With the issuance of coal severance bonds, DNRC is required to establish a reserve fund containing monies equal to the highest year of debt service on the bond issue.

Renewable Resource Loans		
Authorized Loans and Bonds - HB 8 - 2015 Biennium		
Loans-Sponsor/Project	Loan Authroization	Cumulative Total
<u>Section 1</u>		
Subsection (2) Projects (3.0% or State bond rate, whichever is lower-20 years)		
DNRC-Conservation and Resource Development Division (CARDD)		
Refinance Existing Debt or Rehabilitation of Water and Sewer Facilities	\$3,000,000	\$3,000,000
Subsection (3) Projects (4.5% or State bond rate, whichever is lower-30 years)		
Dry Prairie Regional Water Authority		
Local Match for Dry Prairie Projects	6,000,000	9,000,000
North Central Regional Water Authority, Local Share		
Local Match for Dry Prairie Projects	10,000,000	19,000,000
<u>Section 2¹</u>		
Subsection (2) Projects (4.5% or State bond rate, whichever is lower-15 years)		
DNRC-Water Resource Division (WRD)		
Ruby Dam Rehabilitation Project-Phase 2	2,000,000	21,000,000
Subsection (3) Projects (4.5% or State bond rate, whichever is lower-30 years)		
Sunset Irrigation District		
Gravity Flow Irrigation Pipelines	<u>1,465,266</u>	22,465,266
Total Loan Authorizations:	\$22,465,266	
Bond Reserve:	<u>2,246,527</u>	
Total Bond Request	<u>\$24,711,793</u>	
¹ Section 2 are loans to be reauthorized		

Funding - Loans

RRGL program bond authority is provided in 85-1-624, MCA. Money in the coal severance tax bond fund is pledged for the payment of the principal and interest of the bond issue requested in HB 8, as directed in Title 17, Chapter 5, part 7, MCA. The repayment of loans are used to pay the debt service on the loans.

Executive Budget Comparison

The Sixty-third Legislature increased the executive budget proposal for the RRGL program. As shown in the figure below, the executive budget recommended \$8.7 million of appropriations in HB 6 and authorized \$7.4 million in HB 8. The legislature appropriated a total of \$29.5 million for grants and other natural resource projects in HB 6 and \$24.7 million in HB 8. The legislative change from the executive is \$38.0 million, or 235.2%.

Program Comparison - Renewable Resource Grant and Loan Program				
Budget Item	Executive Recommendation	Legislative Budget	Change	% Change
	2015 Biennium	2015 Biennium		
Number of Grants Funded	68	90	22	32.4%
	<u>Proposed</u>	<u>Appropriated</u>		
Grants Cost	\$6,761,983	\$8,967,632	\$2,205,649	32.6%
Other Grants	1,962,000	3,485,686	1,523,686	77.7%
Tribal Compact Funding	0	17,000,000	17,000,000	-
Loan Program	7,435,056	24,711,793	17,276,737	232.4%
Total Costs	\$16,159,039	\$54,165,111	\$38,006,072	235.2%
State Special	\$8,723,983	\$8,979,632	\$255,649	2.9%
General Fund	0	20,473,686	20,473,686	-
Bond Proceeds	7,435,056	24,711,793	17,276,737	232.4%
Total Funds	\$16,159,039	\$54,165,111	\$38,006,072	235.2%

The changes from the executive proposal include the legislative addition of the following projects:

- Additional grant authorizations - \$2,205,649
- Ten Mile/Pleasant Valley Sewer District emergency grant - \$250,000
- Big Pipestone/Jefferson River sloth watershed restoration - \$1,273,686
- People's Creek minimum flow deposit - \$3,000,000
- Blackfeet tribe water rights compact infrastructure deposit - \$14,000,000
- Additional loans - regional water projects - \$16,000,000
- Corrections and adjustments to appropriations and loan reserve - \$1,276,737

The changes are funded through transfers of orphan share state special revenue and general fund to the natural resources projects fund in HB 6 and an increase in the amount of bonds authorized in HB 8.

Other Legislation

HB 11 – This legislation provides a \$17.0 million appropriation for the state’s match to federal dollars for the Dry Prairie and North Central regional water projects through the Treasure State Endowment Regional Water Program (TSEPRW). When combined with the loans provided to the respective regional water authorities in HB 8, the Renewable Resource Loan Program, the state and local governments have will have met their match for the projects and the remaining financial obligation to the projects is the responsibility of the federal government. For more information on the TSEPRW program, see page F-23 of this report.

HB 586 – This legislation establishes authority for the Department of Fish, Wildlife and Parks’ (FWP) for check stations and quarantine measures for aquatic invasive species (AIS). This legislation, in coordination with the

Governor’s new statewide AIS plan, will provide a multiple agency plan of attack in mitigating the impacts of AIS currently in the state (Eurasian water milfoil) and reducing/eliminating the potential for threat of other AIS that have not yet entered the state (zebra mussels). The funding provided in the bill will be used in coordination with appropriations provided in HB 6.